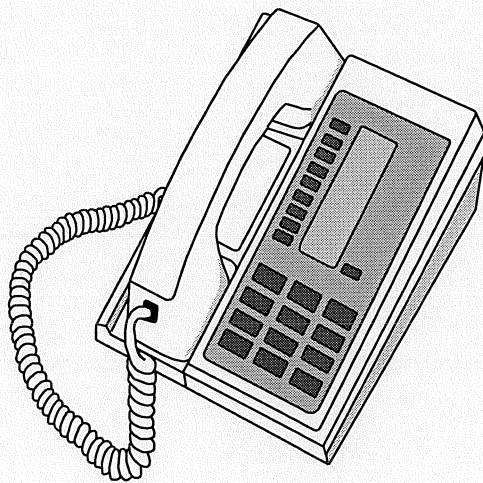


YEAR ENDING 2004

ANNUAL REPORT
OF
Citizens Communications

TELEPHONE UTILITY



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PUBLIC SERVICE
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TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

Telephone Annual Report

Instructions

General

1. A Microsoft EXCEL 2000 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit.** This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5 by 11 page with the left binding edge (top if landscaped) set at .85, the right edge (bottom if landscaped) set at .4, and the remaining two margins at .5. You may select specific schedules to print – See the worksheet "CONTROL".
5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).

8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. The following schedules should be filled out with information on a total company basis:

Schedules 1 - 4
Schedule 10
Schedules 13 - 17
Schedule 19
Schedule 20, Page 1 of 2
Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.

11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:

Schedule 6
Schedules 17 and 18
Schedule 21

12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.

13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.

14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.

15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.

16. Common sense must be used when filling out all schedules.

Specific Instructions

Schedules 3 through 9

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).

2. **Schedule 5** may be omitted for companies doing business only in Montana.
3. **Schedule 6** is not required for companies with under 5,000 lines.
4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

Schedule 10

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

Schedule 11

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

Schedule 12

1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.
2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

Schedule 15

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be

reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

Schedule 19

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

Schedule 20

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. The schedule shall be filled out using FASB 106 and 132 guidelines.

Schedule 21

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

Schedule 23

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

Schedule 24

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

Schedule 25

1. This schedule must be completed by all companies for the year following the reporting year.

Schedule 26

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

Schedule 27

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.
3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

Schedule 28

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

Schedule 29

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

Schedules 33 and 34

1. Respondents shall report all transactions with affiliated companies.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

Schedule 35

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

Schedule 36

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

Schedule 37

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.

Telephone Annual Report

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General Information

Year: 2004

- | | | |
|-----|---|---|
| 1. | Legal Name of Respondent: | Citizens Telecommunications Company of Montana |
| 2. | Name Under Which Respondent Does Business: | Frontier Communications of Montana |
| 3. | Date of Incorporation: | July 7, 1993 |
| 4. | Address to send Correspondence Concerning Report: | 4 Triad Center, Suite 200
Salt Lake City, UT 84180 |
| 5. | Person Responsible for This Report: | Ingo Henningsen |
| 5a. | Telephone Number: | (801) 924-6357 |

Control Over Respondent

- | | | |
|-----|--|--|
| 1. | If direct control over the respondent was held by another entity at the end of year provide the following: | |
| 1a. | Name and address of the controlling organization or person: | Citizens Communications Company
3 High Ridge Park
Stamford, CT 06905 |
| 1b. | Means by which control was held: | Common Stock |
| 1c. | Percent Ownership: | 100% |

Board of Directors			
Line No.	Name of Director and Address (City, State) (a)		Fees Paid During Year (b)
1	Jerry Elliott	Stamford, CT	None
2	John H. Casey, III	Stamford, CT	None
3	Mary A. Wilderotter	Stamford, CT (effective 1/1/05)	None
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18	Chairman of the Board:	Mary A Wilderotter	
19			
20			

Officers

Year: 2004

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	Chairman		
2	President and COO		John H. Casey, III*
3	VP and Treasurer		Donald B. Armour*
4	VP and CFO		Jerry Elliott*
5	VP, Engineering		David P. Frezza**
6	Vice President		Dean Jackson*
7	VP, Tax		Edward O. Kipperman*
8	VP and CAO		Robert J. Larson*
9	VP, General Counsel, Secretary		L. Russell Mitten*
10	Vice President		Michael A. Zarella*
11	Assistant Secretary		Virginia L. Coogle*
12	Assistant Secretary		Gregg C. Sayre**
13			
14			
15			*Stamford, CT
16			**Rochester, NY
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Total Company Balance Sheet

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		CURRENT ASSETS:		
2	1120	Cash and Equivalents	(12,933)	(2,463)
3	1180	Telecommunications Accounts Receivable - Net	459,167	387,842
4	1190	Other Accounts Receivable - Net	246,617	430,751
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable		
7	1220	Materials and Supplies	27,056	6,219
8	* 1280	Prepayments		
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments		
14	1350	Other Current Assets		
15		Total Current Assets	719,907	822,349
16		NONCURRENT ASSETS:		
17	1401	Investments in Affiliated Companies	(10,127,667)	
18	1402	Investments in Nonaffiliated Companies		
19	1406	Nonregulated Investments	5,137	11,206
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets		
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges		
25	1500	Other Jurisdictional Assets - Net		
26		Total Noncurrent Assets	(10,122,530)	11,206
27		PROPERTY, PLANT, & EQUIPMENT:		
28	2001	Telecommunications Plant in Service	27,209,251	25,711,253
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	272,209	781,701
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	14,619,967	14,619,967
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(15,321,343)	(13,879,728)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating	100	1,063
38	3400	Accumulated Amortization	(7,498,562)	(7,066,675)
39		Net Property, Plant, & Equipment	19,281,622	20,167,581
40		TOTAL ASSETS	9,878,999	21,001,136

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		CURRENT LIABILITIES:		
42	4010	Accounts Payable	121,392	169,798
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	117,455	111,631
45	4040	Customer Deposits	4,882	17,285
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued	211,075	152,682
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities	(1,448)	59,046
53	4130	Other Current Liabilities	(195)	5,661
54		Total Current Liabilities	453,161	516,104
55		LONG-TERM DEBT:		
56	4210	Funded Debt		
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		12,023,668
62	4270	Other Long-Term Debt		
63		Total Long-Term Debt		12,023,668
64		OTHER LIABILITIES AND DEFERRED CREDITS:		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	4,725,127	4,689,076
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits	57,503	72,712
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		Total Other Liabilities and Deferred Credits	4,782,630	4,761,788
73		STOCKHOLDERS' EQUITY:		
74	4510	Capital Stock	1,000	1,000
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	4,642,208	3,698,576
79		Total Stockholders' Equity	4,643,208	3,699,576
80		TOTAL LIAB. AND STOCKHOLDERS' EQUITY	9,878,999	21,001,136

Total Company Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,010,175	2,101,000
3	5080	Network Access Revenues	4,191,716	5,088,128
4	* 5100	Long Distance Message Revenue	18,338	16,126
5	^ 5110	Unidirectional Long Distance Revenue	12,209	14,975
6	^ 5120	Long Distance Private Network Revenue		1
7	^ 5160	Other Long Distance Revenue	6,129	1,150
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	125,792	150,779
10	^ 5230	Directory Revenue	25,219	24,484
11	^ 5240	Rent Revenue	4,390	6,882
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	22,769	25,528
14	^ 5270	Carrier Billing and Collection Revenue	73,415	93,885
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	(48,677)	31,488
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	6,394,698	7,324,545
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	1,957	174
20	6120	General Support Expense	487,035	367,322
21	6210	Central Office Switching Expense	107,696	78,851
22	6220	Operator Systems Expense	546	309
23	6230	Central Office Transmission Expense	128,367	110,877
24	6310	Information Origination/Termination Expense	22,978	18,625
25	* 6410	Cable and Wire Facilities Expense	239,500	301,671
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	48	38
29	6530	Network Operations Expense	375,062	430,672
30	6540	Access Expense	95,441	88,394
31	6560	Depreciation and Amortization Expense	1,935,660	2,018,721
32	6610	Marketing	92,585	110,633
33	6620	Services	389,301	399,022
34	6710	Executive and Planning	369,910	49,568
35	6720	General and Administrative	382,290	389,202
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	4,628,375	4,364,080
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	962,675	1,431,326
40		Net Operating Income (L.17-L.37+L.38-L.39)	803,648	1,529,139
41	7300	Nonoperating Income and Expense	15,549	21,767
42	7400	Nonoperating Taxes		
43	7500	Interest and Related Items	2,564	6,733
44	7600	Extraordinary Items		
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	(126,999)	(108,903)
47		NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)	943,631	1,653,076

^ Subaccount of the account marked with a *.

Montana Total State Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	Same as Schedule 4	
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	#VALUE!	
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		Net Operating Income (L.17-L.37+L.38-L.39)	#VALUE!	

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,010,175	2,101,000
3	5080	Network Access Revenues	1,641,694	2,253,534
4	* 5100	Long Distance Message Revenue	18,338	16,126
5	^ 5110	Unidirectional Long Distance Revenue	12,209	14,975
6	^ 5120	Long Distance Private Network Revenue		1
7	^ 5160	Other Long Distance Revenue	6,129	1,150
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	82,520	95,785
10	^ 5230	Directory Revenue	25,219	24,484
11	^ 5240	Rent Revenue	4,390	6,882
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	22,769	25,528
14	^ 5270	Carrier Billing and Collection Revenue	30,142	38,891
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	(48,677)	31,488
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	3,801,404	4,434,957
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	1,270	113
20	6120	General Support Expense	315,850	238,208
21	6210	Central Office Switching Expense	53,569	51,135
22	6220	Operator Systems Expense	272	
23	6230	Central Office Transmission Expense	63,852	
24	6310	Information Origination/Termination Expense	17,233	12,078
25	* 6410	Cable and Wire Facilities Expense	177,437	195,633
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	31	23
29	6530	Network Operations Expense	243,233	251,771
30	6540	Access Expense	32,997	51,675
31	6560	Depreciation and Amortization Expense	1,255,825	1,307,122
32	6610	Marketing	54,785	65,462
33	6620	Services	266,602	294,798
34	6710	Executive and Planning	244,601	33,240
35	6720	General and Administrative	252,786	260,999
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	2,980,344	2,762,256
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	620,510	926,211
40		Net Operating Income (L.17-L.37+L.38-L.39)	200,551	746,490

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,010,175	2,101,000
3	5080	Network Access Revenues	1,641,694	2,253,534
4	* 5100	Long Distance Message Revenue	18,338	16,126
5	^ 5110	Unidirectional Long Distance Revenue	12,209	14,975
6	^ 5120	Long Distance Private Network Revenue		1
7	^ 5160	Other Long Distance Revenue	6,129	1,150
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	82,520	95,785
10	^ 5230	Directory Revenue	25,219	24,484
11	^ 5240	Rent Revenue	4,390	6,882
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	22,769	25,528
14	^ 5270	Carrier Billing and Collection Revenue	30,142	38,891
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	(48,677)	31,488
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	3,801,404	4,434,957
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	1,242	99
20	6120	General Support Expense	278,932	258,837
21	6210	Central Office Switching Expense	53,566	51,135
22	6220	Operator Systems Expense	272	
23	6230	Central Office Transmission Expense	62,431	
24	6310	Information Origination/Termination Expense	2,394	1,625
25	* 6410	Cable and Wire Facilities Expense	177,437	195,633
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	29	21
29	6530	Network Operations Expense	233,491	243,060
30	6540	Access Expense	32,997	51,675
31	6560	Depreciation and Amortization Expense	1,234,012	1,277,711
32	6610	Marketing	29,737	37,215
33	6620	Services	214,117	259,953
34	6710	Executive and Planning	224,046	30,551
35	6720	General and Administrative	235,429	239,415
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	2,780,132	2,646,929
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	638,086	938,807
40		Net Operating Income (L.17-L.37+L.38-L.39)	383,187	849,221

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	26,460,252	25,424,388
2	3100	Accumulated Depreciation	14,600,536	13,213,516
3	2002	Property Held for Future Telecommunications Use	-	-
4	3200	Accumulated Depreciation - 2002	-	-
5	1220	Materials and Supplies	16,638	9,549
6	4340	Noncurrent Deferred Operating Income Taxes	4,707,102	4,624,837
7		Pre-1971 Unamortized Investment Tax Credits		-
8		Cash Working Capital (if allowed by Commission)		-
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	7,169,252	7,595,585

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	17,159,886	16,452,122
2	3100	Accumulated Depreciation	9,628,381	8,753,954
3	2002	Property Held for Future Telecommunications Use		-
4	3200	Accumulated Depreciation - 2002		-
5	1220	Materials and Supplies	12,328	7,075
6	4340	Noncurrent Deferred Operating Income Taxes	2,007,474	1,934,107
7		Pre-1971 Unamortized Investment Tax Credits		-
8		Cash Working Capital (if allowed by Commission)		-
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	5,536,359	5,771,136

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	16,834,574	16,172,436
2	3100	Accumulated Depreciation	9,383,820	8,656,785
3	2002	Property Held for Future Telecommunications Use		-
4	3200	Accumulated Depreciation - 2002		-
5	1220	Materials and Supplies	12,093	6,952
6	4340	Noncurrent Deferred Operating Income Taxes	1,733,454	1,639,155
7		Pre-1971 Unamortized Investment Tax Credits		-
8		Cash Working Capital (if allowed by Commission)		-
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	5,729,393	5,883,447

Statement of Cash Flows

Year: 2004

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	Increase/(decrease) in Cash & Cash Equivalents		
2	Cash Flows from Operating Activities:		
3	Net Income		943,631
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	1,874,465	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net	36,051	
8	Unamortized Investment Tax Credits (ITCs) - Net	-	
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net	112,809	
11	Change in Materials, Supplies & Inventories - Net	(20,837)	
12	Change in Operating Payables & Accrued Liabilities - Net	(62,942)	
13	Change in Other Assets & Deferred Credits - Net	-	
14	Change in Other Liabilities & Deferred Credits - Net	(15,209)	
15	Other (explained on back of this page)		
16	Total Adjustments		1,924,337
17	Net Cash Provided by/(Used in) Operating Activities		2,867,968
18	Cash Inflows/Outflows From Investing Activities:		
19	Construction/Acquisition of Property, Plant & Equipment (net of		
20	AFUDC & Capital Lease Related Acquisitions)	(988,506)	
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates	10,133,736	
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page)		
25	Net Cash Provided by/(Used in) Investing Activities		9,145,230
26	Cash Flows from Financing Activities:		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity <= 3 mo.		
28	Advances from Affiliates	(12,023,668)	
29	Repayment of Advances from Affiliates	-	
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid		
36	Other Financing Activities (explained on back of this page)		
37	Net Cash Provided by Financing Activities		(12,023,668)
38	Effect of Exchange Rate Changes on Cash		
39	Net Increase/(Decrease) in Cash & Cash Equivalents		(10,470)
40	Cash & Cash Equivalents at Beginning of Period		(2,463)
41	Cash & Cash Equivalents at End of Period		(12,933)

Receivables and Investments-Affiliated & Nonaffiliated Companies

Year: 2004

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Telecom. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	Various		470,770	(11,602)	266,319	(19,702)				(10,127,667)	
2											
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27											
28											
29											
30	Totals		470,770	(11,602)	266,319	(19,702)	-	-	-	(10,127,667)	-

Net Plant in Service - Detail

Year: 2004

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	*	Land and Support Assets	2,355,244	99,442	12,640	-	2,442,046	1,142,488	1,299,558
2	^	Land	76,722				76,722		76,722
3	^	Motor Vehicles	280,628		12,640		267,988	126,156	141,832
4	^	Aircraft					-	-	-
5	^	Special Purpose Vehicles	53,233				53,233	63,822	(10,589)
6	^	Garage Work Equipment					-	-	-
7	^	Other Work Equipment	145,056	60,242			205,298	63,816	141,482
8	^	Buildings	1,680,603	39,200			1,719,803	841,710	878,093
9	^	Furniture	4,208				4,208	(3,315)	7,523
10	^	Office Equipment	13,920				13,920	14,912	(992)
11	^	General Purpose Computers	100,874				100,874	35,387	65,487
12		Analog Electronic Switching					-		-
13		Digital Electronic Switching	3,854,390	74,368		(18,833)	3,909,925	1,624,294	2,285,631
14		Electro-Mechanical Switching	-				-	(280,508)	280,508
15		Operator Systems					-	-	-
16		Radio Systems	1,454,960	8,606			1,463,566	1,488,467	(24,902)
17		Circuit Equipment	3,717,789	485,914	13,932	7,362	4,197,133	2,696,736	1,500,397
18	*	Information Orig & Term Equip	151,882	-	-	-	151,882	179,960	(28,078)
19	^	Station Apparatus	-				-	-	-
20	^	Customer Premises Wiring					-	-	-
21	^	Large Private Branch Exchanges					-	-	-
22	^	Public Telephone Term. Equip.					-	-	-
23	^	Other Terminal Equipment	151,882				151,882	179,960	(28,078)
24		Poles	528,635	58,939	1,847		585,727	457,292	128,435
25	*	Cable and Wire Facilities	13,454,515	819,914	9,293	-	14,265,136	7,853,586	6,411,550
26	^	Aerial Cable	2,570,796	65,147	2,910		2,633,033	2,312,123	320,910
27	^	Underground Cable	156,069	7,623			163,692	80,195	83,497
28	^	Buried Cable	10,727,650	747,144	6,383		11,468,411	5,461,268	6,007,143
29	^	Submarine Cable					-	-	-
30	^	Deep Sea Cable					-	-	-
31	^	Intrabuilding Network Cable					-		-
32		Aerial Wire	45,109				45,109	99,839	(54,730)
33		Conduit Systems	148,728				148,728	59,189	89,539
34		Totals	25,711,252	1,547,182	37,712	(11,471)	27,209,251	15,321,343	11,887,908

^ Subaccount of the account marked with a *.

Analysis of Plant Held for Future Use

Year: 2004

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	None.						
2							
3							
4							
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6							
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27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Average Cost of Long Term Debt

Year:2004

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	None.											
2												
3												
4												
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26												
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28												
29												
30	Total											

Cost of Preferred Stock

Year: 2004

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	N/A											
2												
3												
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26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)											

Analysis of Common Stock

Year: 2004

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g)	Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:	100**							
2									
3									
4									
5									
6									
7									
8	Month by Month Data:								
9	January								
10	February								
11	March								
12	April								
13	May								
14	June								
15	July								
16	August								
17	September								
18	October								
19	November								
20	December								
21									
22									
23									

**Citizens Communications Company owns 100 shares, 100% of the outstanding common stock of CTC MT.

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year: 2004

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1							
2	N/A						
3							
4							
5							
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7							
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26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	16	5	-	1,935	-	1,957
2	^	Motor Vehicle Expense	16	5	-	22	-	22
3	^	Aircraft Expense				1,935		1,935
4	^	Special Purpose Vehicles Expense						-
5	^	Garage Work Equipment Expense						-
6	^	Other Work Equipment Expense						-
7	*	General Support Expense	40,490	12,135	33,779	400,630	-	487,035
8	^	Land and Building Expense	7,657	2,322	20,657	120,815		151,451
9	^	Furniture and Artworks Expense				2,272		2,272
10	^	Office Equipment Expense			12,787	8,644		21,430
11	^	General Purpose Computers Expense	32,833	9,813	336	268,899		311,881
12	*	Central Office Switching Expense	42,506	9,827	55,363	-	-	107,696
13	^	Analog Electronic Expense						-
14	^	Digital Electronic Expense	42,506	9,827	55,363			107,696
15	^	Electro-Mechanical Expense						-
16		Operator Systems Expense				546		546
17	*	Central Office Transmission Expense	90,491	20,770	-	17,105	-	128,367
18	^	Radio Systems Expense	12,401	2,691		5,370		20,463
19	^	Circuit Equipment Expense	78,090	18,079		11,735		107,904
20	*	Information Origination/Termination Expense	16,960	3,859	-	2,159	-	22,978
21	^	Station Apparatus Expense	1,675	403		221		2,300
22	^	Large Private Branch Exchange Expense						-
23	^	Public Telephone Terminal Equipment Exp.						-
24	^	Other Terminal Equipment Expense	15,284	3,456		1,938		20,678
25	*	Cable and Wire Facilities Expense	137,079	31,085	(10,747)	82,083	-	239,500
26	^	Poles Expense			(10,747)	(5,668)		(10,747)
27	^	Aerial Cable Expense	53,891	12,836				61,060
28	^	Underground Cable Expense						-
29	^	Buried Cable Expense	83,188	18,249		87,751		189,187
30	^	Submarine Cable Expense						-
31	^	Deep Sea Cable Expense						-
32	^	Intrabuilding Network Cable Expense						-
33	^	Aerial Wire Expense						-
34		Subtotals	327,542	77,681	78,396	504,458	-	988,078

^ Subaccount of the account marked with a *.

Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^ 6441	Conduit Systems Expense		8				48
36	6510	Other Property Expenses	40					375,062
37	* 6530	Network Operations Expense	199,200	56,136	-	119,727	-	375,062
38	^ 6531	Power Expense				40,537		40,537
39	^ 6532	Network Administration Expense	100,807	33,124		55,106		189,037
40	^ 6533	Testing Expense	6,034	2,025		15,530		23,589
41	^ 6534	Plant Operations Expense	73,529	16,340		8,095		97,964
42	^ 6535	Engineering Expense	18,829	4,646		459		23,935
43	6540	Access Expense				95,441		95,441
44	6561	Depreciation - Telecomm. Plant in Service				1,503,773		1,503,773
45	6562	Depreciation-Prop. for Future Telecom. Use						-
46	6563	Amortization Expense - Tangible						-
47	6564	Amortization Expense - Intangible						-
48	6565	Amortization - Other						-
49	* 6610	Marketing	52,113	12,691		431,887		431,887
50	^ 6611	Product Management	9,234	2,612	-	27,781	-	92,585
51	^ 6612	Sales	42,740	10,034		2,962		14,808
52	^ 6613	Product Advertising	139	45		4,671		57,445
53	6621	Call Completion Services				20,148		20,332
54	6622	Number Services	2,196	595		(696)		(696)
55	6623	Customer Services	244,523	69,389		19,699		22,490
56	6711	Executive	76,762	207,578		53,595		367,507
57	6712	Planning				23,204		307,544
58	6721	Accounting and Finance	57,408	14,628		62,366		62,366
59	6722	External Relations	21,576	6,176		25,269		97,306
60	6723	Human Relations	14,262	3,641		11,984		39,736
61	6724	Information Management	35,519	14,435		4,329		22,233
62	6725	Legal	4,826	1,146		47,511		97,465
63	6726	Procurement	2,922	684		13,861		19,833
64	6727	Research and Development				1,016		4,622
65	6728	Other General and Administrative	3,969	(4,172)		101,299		101,097
66	6790	Provision for Uncollectible Notes Receivable						-
67		Totals	1,042,859	460,616	78,396	3,046,505	-	4,628,375

^ Subaccount of the account marked with a *.

Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	Same as Schedule 17					
2	^	Motor Vehicle Expense						
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		Subtotals						

^ Subaccount of the account marked with a *.

Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense						
36		Other Property Expenses						
37	*	Network Operations Expense						
38	^	Power Expense						
39	^	Network Administration Expense						
40	^	Testing Expense						
41	^	Plant Operations Expense						
42	^	Engineering Expense						
43		Access Expense						
44		Depreciation - Telecomm. Plant in Service						
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing						
50	^	Product Management						
51	^	Sales						
52	^	Product Advertising						
53		Call Completion Services						
54		Number Services						
55		Customer Services						
56		Executive						
57		Planning						
58		Accounting and Finance						
59		External Relations						
60		Human Relations						
61		Information Management						
62		Legal						
63		Procurement						
64		Research and Development						
65		Other General and Administrative						
66		Provision for Uncollectible Notes Receivable						
67		Totals						

^ Subaccount of the account marked with a *.

Pension Costs

Year: 2004

1	Plan Name	Citizens Pension Plan		
2	Defined Benefit Plan? _____ Yes _____	Defined Contribution Plan? _____ No _____		
3	Actuarial Cost Method? _____ Projected Unit Credit _____	IRS Code: _____		
4	Annual Contribution by Employer: _____ 0 _____	Is the Plan Over Funded? _____		
5				
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation			
7	Benefit obligation at beginning of year	761,683,000	780,237,000	-2.38%
8	Service cost	5,748,000	6,479,000	-11.28%
9	Interest Cost	46,468,000	49,103,000	-5.37%
10	Plan participants' contributions		(1,198,000)	-100.00%
11	Amendments		(22,164,000)	-100.00%
12	Actuarial Loss	44,350,000	43,146,000	2.79%
13	Acquisition		(22,475,000)	-100.00%
14	Benefits paid	(58,791,000)	(71,445,000)	17.71%
15	Benefit obligation at end of year	799,458,000	761,683,000	4.96%
16	Change in Plan Assets			
17	Fair value of plan assets at beginning of year	719,622,000	692,361,000	3.94%
18	Actual return on plan assets	80,337,000	121,821,000	-34.05%
19	Acquisition			
20	Employer contribution	20,000,000		
21	Plan participants' contributions	-	(23,115,000)	-100.00%
22	Benefits paid	(58,791,000)	(71,445,000)	17.71%
23	Fair value of plan assets at end of year	761,168,000	719,622,000	5.77%
24	Funded Status	(38,290,000)	(42,061,000)	8.97%
25	Unrecognized net actuarial loss	183,481,000	171,071,000	7.25%
26	Unrecognized prior service cost	(1,988,000)	(2,232,000)	10.93%
27	Prepaid (accrued) benefit cost	143,203,000	126,778,000	12.96%
28				
29	Weighted-average Assumptions as of Year End			
30	Discount rate	6.00%	6.25%	-4.00%
31	Expected return on plan assets	8.25%	8.25%	
32	Rate of compensation increase	4.00%	4.00%	
33	Components of Net Periodic Benefit Costs			
34	Service cost	5,748,000	6,479,000	-11.28%
35	Interest cost	46,468,000	49,103,000	-5.37%
36	Expected return on plan assets	(57,203,000)	(53,999,000)	-5.93%
37	Amortization of prior service cost	(244,000)	(172,000)	-41.86%
38	Curtailment/Settlement Charge	-	6,585,000	-100.00%
39	Recognized net actuarial loss	8,806,000	11,026,000	-20.13%
40	Net periodic benefit cost	3,575,000	19,022,000	-81.21%
41				
42	Montana Intrastate Costs:			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	Number of Company Employees:			
47	Covered by the Plan	8	9	-11.11%
48	Not Covered by the Plan			
49	Active	8	9	-11.11%
50	Retired			
51	Deferred Vested Terminated			

Other Post Employment Benefits (OPEBS)

Year: 2004

	Item	Current Year	Last Year	% Change
1	Regulatory Treatment:			
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	Weighted-average Assumptions as of Year End			
7	Discount rate	6.00%	6.25%	-4.00%
8	Expected return on plan assets	8.25%	8.25%	
9	Medical Cost Inflation Rate	7-10%	7-11%	
10	Actuarial Cost Method			
11	Rate of compensation increase			
12	List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:			
13				
14				
15	Describe any Changes to the Benefit Plan:			
16				
17	TOTAL COMPANY			
18	Change in Benefit Obligation			
19	Benefit obligation at beginning of year	223,337,000	210,683,000	6.01%
20	Service cost	1,128,000	1,387,000	-18.67%
21	Interest Cost	12,698,000	13,606,000	-6.67%
22	Plan participants' contributions	4,118,000	3,723,000	10.61%
23	Amendments	(3,045,000)	-	
24	Actuarial Gain	(1,706,000)	16,835,000	-110.13%
25	Acquisition	-	-	
26	Benefits paid	(19,150,000)	(22,897,000)	16.36%
27	Benefit obligation at end of year	217,380,000	223,337,000	-2.67%
28	Change in Plan Assets			
29	Fair value of plan assets at beginning of year	27,493,000	27,050,000	1.64%
30	Actual return on plan assets	987,000	1,624,000	-39.22%
31	Acquisition	-	(1,576,000)	-100.00%
32	Employer contribution	1,678,000	19,568,000	-91.42%
33	Plan participants' contributions	-	-	
34	Benefits paid	(15,032,000)	(19,173,000)	21.60%
35	Fair value of plan assets at end of year	15,126,000	27,493,000	-44.98%
36	Funded Status	(202,254,000)	(195,844,000)	3.27%
37	Unrecognized net actuarial loss	44,319,000	49,982,000	-11.33%
38	Unrecognized prior service cost	(2,617,000)	224,000	-1268.30%
39	Prepaid (accrued) benefit cost	(160,552,000)	(145,638,000)	10.24%
40	Components of Net Periodic Benefit Costs			
41	Service cost	1,128,000	1,387,000	-18.67%
42	Interest cost	12,698,000	13,606,000	-6.67%
43	Expected return on plan assets	(2,268,000)	(2,133,000)	-6.33%
44	Amortization of prior service cost	(204,000)	26,000	-884.62%
45	Recognized net actuarial loss	5,238,000	3,985,000	31.44%
46	Net periodic benefit cost	16,592,000	16,871,000	-1.65%
47	Accumulated Post Retirement Benefit Obligation			
48	Amount Funded through VEBA	15,126,000	27,493,000	-44.98%
49	Amount Funded through 401(h)			
50	Amount Funded through Other _____			
51	TOTAL	15,126,000	27,493,000	-44.98%
52	Amount that was tax deductible - VEBA		1,265,282	-100.00%
53	Amount that was tax deductible - 401(h)			
54	Amount that was tax deductible - Other _____			
55	TOTAL	-	1,265,282	-100.00%

Other Post Employment Benefits (OPEBS) Continued

Year: 2004

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan	4,534	5,081	-10.77%
3	Not Covered by the Plan			
4	Active	1,867	2,438	-23.42%
5	Retired	2,667	2,643	0.91%
6	Spouses/Dependants covered by the Plan			
7	Montana			
8	Change in Benefit Obligation			
9	Benefit obligation at beginning of year	9,312	35,343	-73.65%
10	Service cost	-	307	-100.00%
11	Interest Cost	-	491	-100.00%
12	Plan participants' contributions	-	5	-100.00%
13	Amendments	(11,518)		
14	Actuarial Gain	2,206	(26,817)	108.23%
15	Acquisition			
16	Benefits paid		(17)	100.00%
17	Benefit obligation at end of year	-	9,312	-100.00%
18	Change in Plan Assets			
19	Fair value of plan assets at beginning of year	44,741	42,821	4.48%
20	Actual return on plan assets	1,606	1,920	-16.35%
21	Acquisition	-		
22	Employer contribution	(46,347)		
23	Plan participants' contributions	-	-	
24	Benefits paid	-	-	
25	Fair value of plan assets at end of year	-	44,741	-100.00%
26	Funded Status	-	35,429	-100.00%
27	Unrecognized net actuarial loss	(76,651)	(92,367)	17.01%
28	Unrecognized prior service cost	(10,204)		
29	Prepaid (accrued) benefit cost	(86,855)	(56,938)	-52.54%
30	Components of Net Periodic Benefit Cccosts			
31	Service cost	-	307	-100.00%
32	Interest cost	-	491	-100.00%
33	Expected return on plan assets	(3,691)	(3,533)	-4.47%
34	Amortization of prior service cost	(1,729)		
35	Recognized net actuarial loss	(12,276)	(12,671)	3.12%
36	Net periodic benefit cost	(17,696)	(15,406)	-14.86%
37	Accumulated Post Retirement Benefit Obligation			
38	Amount Funded through VEBA		44,741	-100.00%
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL	-	44,741	-100.00%
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL	-	-	
46	Montana Intrastate Costs:			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	Number of Montana Employees:			
51	Covered by the Plan		9	-100.00%
52	Not Covered by the Plan			
53	Active	8	9	-11.11%
54	Retired			
55	Spouses/Dependants covered by the Plan			

Payments for Services to Persons Other Than Employees

Year: 2004

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	Orius Telecommunications	Plant Specific	79,069	79,069	79,069
2	Libby Wrestling Club	Fill Gravel Bags	850	850	850
3	3D Communications	Plant Specific	4,991	4,991	4,991
4	Crowley, Haughey, Hanson, Tool	Legal	2,118	2,118	2,118
5	Wilkinson, Barker, Khauer, LLP	Legal	5,621	5,621	5,621
6					
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48					
49	Total				

Subscriber Line Usage Data

Year: 2004

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	32,491,868	66.77%	33,374,932	64.91%
3	Interstate, IntraLATA	1,804,255	3.71%	1,757,516	3.42%
4	Total Interstate Usage	34,296,123	70.48%	35,132,448	68.33%
5	Intrastate, InterLATA	9,206,898	18.92%	9,969,817	19.39%
6	Intrastate, IntraLATA	5,160,994	10.61%	6,316,087	12.28%
7	Total Intrastate Usage	14,367,892	29.52%	16,285,904	31.67%
8	Total Toll Usage	48,664,015	100.00%	51,418,352	100.00%
9	Centrex				
10	Local	Not Available		Not Available	
11	Total Minutes	48,664,015	100.00%	51,418,352	100.00%

Cental Office and Access Line Statistics

Year: 2004

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	Libby, MT	DMS-10	4011					1187	182	9	34	446	99.9%	5869
2	Troy, MT	DMS-10	1685					263	11	5	12	105	99.9%	2081
3	Eureka, MT	DMS-10	140					70	6	4	7	50	99.9%	277
4						*438								
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32														
33	Total		5836			438		1520	199	18	53	601	2.997	8227

NOTE: Additional blank schedules are being provided for your convenience.

*Total Company

Central Office and Switch Information

Year: 2004

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	Libby, Mt	Host HSO Stand Alone	DMS 10	NORTEL	502.1	6,400	1996
2	Troy, Mt	Remote SSO	DMS 10	NORTEL	412.2	2,560	1992
3	Eureka, Mt	Remote RSC	RSC-S	NORTEL	502.1	1,920	1996
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NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year: 2005

Line No.	Description (a)	2005 (b)
1	Central Office Assets:	
2		
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26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	300,000
29	Total Central Office Budget (Total of Line 27 & Line 28)	300,000
30	Other Projects over \$500,000:	
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	600,000
43	Total Construction Budget (Total of Lines 29, 41 & 42)	900,000

Montana Employee Counts

Year: 2004

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	Exempt	1	1
2	Non-exempt	8	8
3			
4			
5			
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42			
43	Totals (Sum of Lines 1 through 42)	9	9

NON - PROPRIETARY COPY**Compensation of Top 10 Montana Based Employees**

Year: 2004

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	Customer Care Representative						8.13%
2	Communications Technician						22.60%
3	Communications Technician						16.13%
4	Communications Technician						22.82%
5	Customer Care Representative						20.74%
6	Manager, Operations						-5.10%
7	Communications Technician						17.35%
8	Communications Technician						27.19%
9	Communications Technician						26.32%
10					0		
11	Totals (Sum L.1 to L.10)	0	0	0	0	0	

Compensation of Top 5 Corporate Employees - SEC Information

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	See Proxy Statement.						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

Montana Composite Statistics

Year: 2004

Line No.	Account No.	Description (a)	Amount (b)
1		Plant (Intrastate Only) (000 Omitted)	
2	2001	Plant in Service	17645
3	2003 - 2004	Construction Work in Progress	177
4	2005	Plant Acquisition Adjustments	9,481
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	20
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	15,050
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	42,372
11		Revenues & Expenses (Intrastate Only) (000 Omitted)	
12	5000 - 5300	Operating Revenues	3,801
13	6560	Depreciation & Amortization Expenses	1,256
14		Federal & State Income Taxes	621
15		Other Taxes	
16		Other Operating Expenses	1,725
17		TOTAL Operating Expenses	3,601
18		Net Operating Income	201
19		Other Income	
20		Other Deductions	
21		NET INCOME	201
22		Access Lines in Service (Intrastate Only)	
23		Residential Access Lines	5836
24		Business Access Lines	1682
25		PBX Access Lines	37
26		Other Access Lines	672
27		Total Number of Access Lines	8227
28		Average Number of Calls Per Access Line	
29		Local Calls	N/A
30		Toll Calls (Intra- or Interstate)	N/A
31		Total Number of Calls Per Access Line (Total of Line 29 & Line 30)	
32		Other Statistics (Intrastate Only)	
33		Average Residential Monthly Bill	13
34		Gross Plant Investment per Access Line	2,145

Depreciation - Montana Intrastate Regulated

Year: 2004

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	7.7%	13,446
2	2114	Special Purpose Vehicles	7.7%	2,635
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	4.7%	5,896
5	2121	Buildings	2.9%	31,418
6	2122	Furniture	2.7%	105
7	2123	Office Support Equipment	4.9%	647
8	2124	General Purpose Computers	13.1%	8,688
9	2211	Analog Electronic Switching Equipment		
10	2212	Digital Electronic Switching Equipment	6.5%	161,741
11	2215	Step By Step Switching Equipment		
12	2215	Crossbar Switching Equipment		
13	2220	Operator System		
14	2231	Radio Systems	6.4%	64,855
15	2232	Circuit DDS		
16	2232	Circuit Digital	6.7%	172,191
17	2232	Circuit Analog		
18	2351	Public Telephone Terminating Equipment		
19	2362	Other Terminal Equipment	7.2%	7,028
20	2411	Poles	6.3%	22,310
21	2421	Aerial Cable Metallic	6.9%	115,102
22	2421	Aerial Cable Nonmetallic		
23	2422	Underground Cable Metallic	4.7%	4,800
24	2422	Underground Cable Nonmetallic		
25	2423	Buried Cable Metallic	4.8%	343,624
26	2423	Buried Cable Nonmetallic		
27	2424	Submarine Cable Metallic		
28	2424	Submarine Cable Nonmetallic		
29	2426	Intrabuilding Network Cable Metallic		
30	2426	Intrabuilding Network Cable Nonmetallic		
31	2431	Aerial Wire	20.9%	6,060
32	2441	Conduit Systems	2.2%	2,103
33				
34		COMPOSITE TOTAL		
35				
36	Have these rates been approved by the Commission? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			
37				
38	If yes: <u>93.7.30</u> Docket Number <u> </u> Order Number			
39				

Montana Regulatory Capital Structure & Costs

Year: 2004

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	Commission Accepted - Most Recent			
1	Docket Number 93.3.12			
2	Order Number 5632d			
3				
4	Common Equity	56.21%	9.83%	5.52%
5	Preferred Stock	0.51%	8.28%	0.04%
6	Long Term Debt	43.28%	12.67%	3.39%
7	Other			
8	Total	100.00%		8.953%
9				
10	Actual at Year End			
11				
12	Common Equity	61.20%	6.93%	4.24%
13	Preferred Stock			
14	Long Term Debt	38.80%	8.86%	3.44%
15	Other			
16	Total	100.00%		7.68%

Network Access - Charges and Revenues

Year: 2004

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		4,191,716
2			
3	Montana - Intrastate		1,641,694
4			
5	Montana - Intrastate Regulated		1,641,694
6			
7			
8			
9			
10			
11			
12			
13			

Affiliate Transactions - Products & Services Provided to Utility

Year: 2004

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	Citizens Communication Company (Parent)	Executive Mgmt, Legal, Accounting, Share Holder Relations, HR	Fully Distributed Cost per FCC Part 64.901	429,218		429,218
2						
3						
4	Telecom Sector Central Services	Financial, Regulatory, G/L, A/P, PY, IT, Legal, Engineering, Customer Service	Fully Distributed Cost per FCC Part 64.901	745,168		745,168
5						
6						
7						
8	Telecom Regional Services	Local Management	Fully Distributed Cost per FCC Part 64.901	408,103		408,103
9						
10						
11						
12	Telecom Sector Central Services (Conversion)	Billing System Conversion	Fully Distributed Cost per FCC Part 64.901	60,938		60,938
13						
14						
15						
16						
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19						
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30	TOTAL			\$1,643,426		\$1,643,426

Affiliate Transactions - Products & Services Provided by Utility

Year: 2004

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
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29						
30	TOTAL					

Montana Intrastate Regulated Earned Rate of Return

Year: 2004

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	16,834,574	16,172,436	4.09%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(9,383,820)	(8,656,785)	-8.40%
5	Plant in Service	7,450,753	7,515,651	-0.86%
6				
7	Additions			
8	1220 Materials & Supplies	12,093	6,952	73.96%
9	1280 Prepayments			
10	Other Additions			
11	TOTAL Additions	12,093	6,952	73.96%
12				
13	Deductions			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	1,733,454	1,639,155	5.75%
17	Customer Advances for Construction			
18	Other Deductions			
19	TOTAL Deductions	1,733,454	1,639,155	5.75%
20	TOTAL Rate Base	5,729,393	5,883,447	-2.62%
21				
22	Net Earnings	383,187	849,221	-54.88%
23				
24	Rate of Return on Average Rate Base	6.688%	14.43%	-53.65%
25				
26	Rate of Return on Average Equity	6.076%	17.64%	-65.55%
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30	4340 Remove Deferred Income Taxes related to Telecom	(1,284,706)	(1,226,931)	
31	Plant Adjustment (TPA)			
32				
33	Comp Tax Rate @ 39.39% w/interest expense adjustment	155,242	119,206	30.23%
34				
35	Touch America (6728)		(19,084)	100.00%
36	Worldcom W/O Adjustment (6728)		(4,855)	100.00%
37	MDSI Accelerated (6623)		(13,732)	100.00%
38				
39				
40				
41				
42				
43	Adjusted Rate of Return on Average Rate Base	7.68%	14.15%	-45.75%
44				
45	Adjusted Rate of Return on Average Equity	6.93%	17.21%	-59.76%

Other Taxes Paid

Year: 2004

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Retail Telecommunications Excise Tax	78,721	82,772
2	Montana Public Service Commission Tax	6,474	6,904
3	Montana Consumer Counsel Tax	2,583	2,460
4	911 Emergency Telephone Fee	44,779	44,401
5	Montana Telecommunications Access Service (TDD)	8,889	9,316
6	Real Property Tax	335,684	-
7			
8			
9			
10			
11			
12	Total	477,129	145,854

Company Name: Citizens Telecommunications Company of Montana

SCHEDULE 37

Universal Service Funds Received

Year: 2004

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	1,359,709	1,723,688
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	Total	1,359,709	1,723,688

Citizens Telecommunications Company of Montana
Year ended December 31, 2004

I have examined the foregoing report; that to the best of my knowledge, information and belief, all statements of fact in this report are true; and that this report correctly states the respondent's business and affairs in each matter set forth from January 1, 2004 through December 31, 2004.

Signature: _____

Name & Title: Gregg C. Sayre, Assistant Secretary